

Delta Investment Management is a registered investment advisory firm. Delta welcomes discussions with individuals seeking investment advice and advisors seeking a new turnkey asset management solution.

Delta manages portfolios at TD Ameritrade and Schwab.

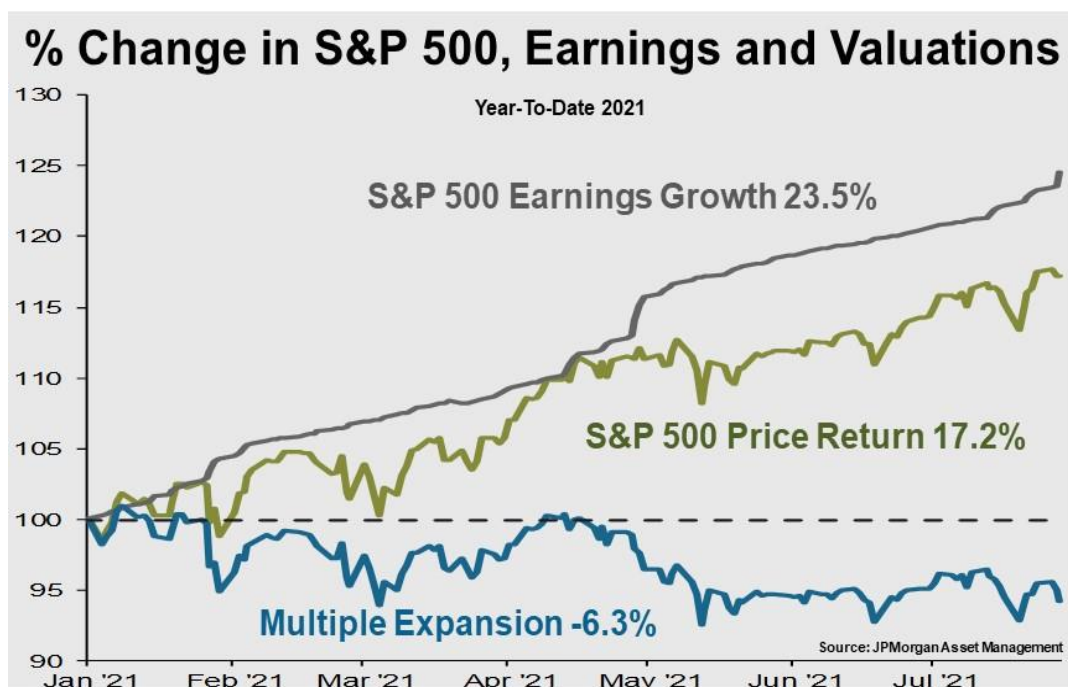
Please contact Delta at info@deltaim.com or 415-249-6337 to learn more.

July 30, 2021

Low Interest Rates, Easy Money and Strong Earnings Feed the Bull

For the Bull to keep climbing, it needs to be fed. This week, the Bull was fed healthy doses of continued low interest rates, easy money and better-than-expected earnings. So far this earnings season, 90% of companies have exceeded consensus earnings expectations and over 80% are ahead of revenue estimates. Operating earnings will reach an all-time high this quarter.

As the earnings beats keep coming, the P/E multiple of the S&P 500 has actually been contracting as the index has been rising. S&P 500 earnings are up 23.5% year-to-date versus the market appreciation of about 17%. For this math to work, the S&P Price/Earnings (P/E) multiple has come in by about 6%.



Fed Chair Powell said this week: “We’re clearly ways away from considering raising interest rates. It’s not something that’s on our radar screen right now.” The Fed Funds rate remains in the range of 0-0.25%. With rates low, a major potential source of downward pressure on the P/E multiple is pushed out. JPMorgan Asset Management is not forecasting an increase in the Fed Funds rate until December 2022.

The Federal Reserve will continue to buy \$80 billion of Treasury securities and \$40 billion of Mortgage-Backed Securities (MBS) each month. When the Fed buys bonds, longer-term interest rates have downward pressure (consequence of supply/demand) and money is injected into the economy.

Households and corporations are flush with cash. Consumption is a national pastime. This week, the report of second quarter GDP revealed that personal spending was up 11.8%. Personal consumption represented 69% of all economic activity.

Coming into earnings season, the stock market was losing its upward price momentum. Valuations were rich and peak growth and inflation fears were weighing on many sectors. Record breaking earnings and continued easy money is helping the Bull catch its breath. We will see if a broad stock rally emerges with value and small-cap stocks returning to the upward trajectories they experienced in the first few months of the year.

Let Us Help You Position Your Portfolio – Give Us a Call Today

We have unique and sophisticated investment methods that seek to capture the stock market’s gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit www.deltaim.com or email us at info@deltaim.com.



"I think his Olympic dreams have died."

Delta Stock Market Dashboard

MARKET SENTIMENT IS

BEARISH

THIS WEEK'S NUMBER IS

44.5

Our technical indicator increased
from 40.5 to 44.5 this week

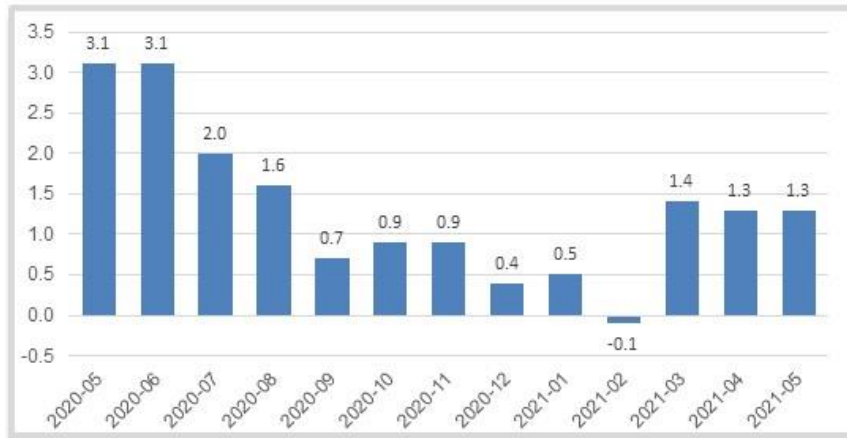
INDICATOR STATISTICS

Consecutive Bearish Weeks:	2
Cycle Inception Date:	7/22/2021
Range:	40.5-44.5
Mean:	42.5
Bullish Weeks YTD:	27
Bearish Weeks YTD:	2
*S&P 500	1.5%
*DJIA	1.0%
*NASDAQ	1.1%

* Percentage change during current cycle



Leading Economic Index % Change Monthly May 2020 – May 2021



Source: The Conference Board – last update 06/17/2021

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